

CALIFORNIA DEPARTMENT of EDUCATION'S
14th ANNUAL CHILD DEVELOPMENT CONFERENCE
NOVEMBER 1998

Making Good Decisions
About
Hiring Good Auditors

PRESENTED
by
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INTRODUCTION

One definition of an auditor:

*A person who sits on top of the hill while the battle rages;
then after the fighting is over, comes down to slay the wounded.*

The annual certified audit report requirement is a significant, and costly, string that comes attached to the State and Federal subsidies for child care programs. The Federal government has recently raised its threshold to exempt all agencies spending less than \$300,000 of Federal awards from its Single Audit requirement. However, the State's Education Code still requires agencies receiving more than \$25,000 for child development programs to submit a certified audit to the California Department of Education's (CDE's) Office of External Audits (OEA) for review and approval. Contracting with an auditor to perform the annual audit is a major decision for the agency that should involve its Board of Directors (Board).

It is recommended that the Board form an audit committee. Ideally, the audit committee should be a panel of financial "experts" who are "independent" from management, i.e., do not work for the agency. Smaller agencies without Board members with sufficient expertise should consider involving people from outside the agency. One source of outsiders is the parents of the agency's enrolled children who are CPAs or have other financial backgrounds in accounting and auditing.

The National Intergovernmental Audit Forum has identified the following "basic elements of an effective audit procurement process:"

- Planning (determining what needs to be done and when),
- Fostering competition by soliciting proposals (writing a clear and direct solicitation document and disseminating it widely),
- Technically evaluating proposals and qualifications (authorizing a committee of knowledgeable persons to evaluate the ability of prospective auditors to effectively carry out the audit),
- Preparing a written agreement (documenting the expectations of both the entity and the auditor), and

- Monitoring the auditor's performance (periodically reviewing the progress of that performance).¹

The above bullet goes beyond the procurement process since it addresses considerations after the auditor has been hired and fieldwork is in process. However, it is no less important to the broader objective of preparing a quality audit report.

With the broader objective, the following additional "basic element" should be included in the responsibilities of the Board's audit committee:

- Reviewing the draft report. At the end of fieldwork a formal "exit conference" is normally held. However, throughout the fieldwork phase of the audit, proper monitoring should include discussions of any "findings" by the auditors.

PLANNING

Failing to Plan is Planning to Fail

Determining the Reporting Entity

Entities receiving child care subsidies within California are extremely varied. The smallest entities receiving subsidies are the private homes with one adult licensed to care for six children. The other extreme includes large corporations, universities, churches and Indian Nations. The California Education Code Section 8448(g) (Ed Code § 8448(g)) requires that

Audits carried out pursuant to this section ***shall be audits of the contractor*** (emphasis added) rather than audits of individual contracts or programs.

The legal entity that is the "contractor" can make a major difference in the scope of the audit. The larger the organization, the more critical this becomes. For example, who is the contractor for a subsidized child care center located on a University of California campus? Is it the Chancellor of the UC campus? Is it the associated student body organization, that in addition to managing the child care center, also sells football tickets, runs the book store, and the convention facilities? Is it the independent non-profit corporation that administers the day care center only? *Who signed the contract?*

¹ National Intergovernmental Audit Forum, Procurement Handbook Task Force, *How to Avoid a Substandard Audit: Suggestions for Procuring an Audit*, May 1988, p. 2.

Reviewing Legal Requirements

Title 5 of the California Code of Regulations, Section 18071(5 CCR § 18071) reads, in part

Audits and Auditors

(a) Contractors shall submit to the State (sic) Department of Education Office of External Audits an acceptable annual financial and compliance audit.

(b) All audits will be performed by:

(1) A Certified Public Accountant who possesses a valid license to practice within the State of California.

(2) A Public Accountant licensed on or before December 31, 1970 and currently certified and licensed by the State of California; or

(3) A member of the State (sic) Department of Education staff of auditors.

...

(f) Public agencies may have their audits prepared by in-house auditors if the public contractor has internal audit staff that performs auditing functions and meets the tests of independence . . .

Title 5 (5 CCR § 18027) further requires that at least three bids be obtained prior to contracting for bookkeeping and auditing services.

In addition, the Child Development Program Funding Terms and Conditions, Section IV.B. (FT&Cs § IV.B.) requires

Subcontracts for auditing and/or bookkeeping services shall be rebid and changed every five (5) years unless retention of the same auditor is approved by the OEA.²

Additional general subcontracting provisions are prescribed by FT&Cs § IV.D. (Required Subcontract Provisions) and FT&Cs § IV.E. (Recommended Subcontract Provisions).

² Does not apply to government entities.

Specifying Auditing Standards

The auditing standards required by the Office of External Audits include the following:

- Generally accepted auditing standards;
- Government auditing standards (*Yellow Book*);
- CDE's *Audit Guide for Audits of Child Development and Nutrition Programs*; and
- If applicable, Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

PREPARING REQUESTS FOR PROPOSALS

As discussed above under "Reviewing Legal Requirements," Title 5 (5 CCR § 18027) requires agencies to obtain at least three bids for subcontracts for auditing services. Although a minimum of three bids is required, the more proposals for auditing services that are obtained, the better the "fit" should be between the agency and the CPA firm selected to perform the audit.

The best method of communicating an agency's audit needs is through a request for proposal (RFP). The RFP provides the following advantages over other methods:

- The needs and expectations of the agency are well defined and clearly specified;
- The needs and expectations of the agency are consistently communicated to all potential bidders; and
- The proposals from the auditors can be more objectively evaluated.

What specifically should be included in an RFP varies with the size and complexity of the agency. The general essentials are, according to the National Intergovernmental Audit Forum:

At a minimum, your RFP should contain the following:

- the name and address of your organization;
- the entity to be audited, scope of services to be provided, and specific reports, etc., to be delivered;
- the period to be audited (with an explanation if the RFP calls for a multi-year procurement);
- the name and telephone number of a contact person at your organization
- the format in which you want proposals to be prepared;
- the address to which proposals should be delivered or sent;

- the date and time proposals are due;
- the number of proposal copies to be submitted;
- the criteria to be used in evaluating the bid and their relative importance to each other;
- the method and timing of payment; and
- any other important points, including the consequences if due dates are missed or work does not meet audit standards.³

The last bullet above is particularly important. If the audit report is determined to be unacceptable during OEA's review, additional work will be required by the agency and/or its auditor. Also, agencies can be placed on Conditional funding status for submitting late reports which place additional conditions and restrictions on the agency.

Another essential element for subsidized child care programs, the RFP should specify that the audit report should conform to the professional standards required by the Office of External Audits (see "Determining Auditing Standards" above) with explicit reference to CDE's *Audit Guide for Audits of Child Development and Nutrition Programs*.

The National Intergovernmental Audit Forum further advises that RFPs include the following:

Finally, a well-prepared RFP will elicit certain information from prospective bidders. For example, it will ask bidding firms to state

- how they would conduct the audit and, if it were (sic) a multiyear contract, how they would approach the work efforts of the subsequent year(s)
- their qualifications, those of their local office, if applicable, and those of the proposed audit staff, including their prior government auditing experience;
- their policies on notification of changes in key personnel;
- whether the proposed staff have received continuing professional education in governmental accounting and auditing during the last 2 years;
- whether they have received a positive peer review within the last 3 years;
- whether they have been the object of any disciplinary action during the past 3 years; and
- their fee⁴

Inquiries regarding the firm's qualifications should specifically include prior experience in preparing audit reports subject to OEA's approval.

³ *How to Avoid a Substandard Audit: Suggestions for Procuring an Audit*, pp. 9-10.

⁴ *Ibid.*, p. 11.

After the RFP is prepared, it should be widely distributed to potential auditors. Sources of potential auditors include the following:

- The Office of External Audit's listing by Counties of auditors who have previously submitted reports;
Telephone: (916) 322-2288
- California Society of Certified Public Accountants;
Telephone: (650) 802-2600
Web page: <http://www.calcpa.org>
- Society of California Accountants;
Telephone: (916) 443-2057
Web page: <http://www.calaccountants.org>; and
- Recommendations from prior years' auditors.

Another excellent source for information about auditors who have prior experience doing Child Development program audits, are the Board members, Executive Directors, and fiscal staff attending this year's Annual Child Development Conference.

The Office of External Audits gratefully acknowledges Macias, Genie & Company LLP, for providing the sample Request For Proposal prepared by the Community Child Care Coordinating Council of Alameda County which is included in this document as Attachment I.

EVALUATING REQUESTS FOR PROPOSALS

*If it walks like a duck and talks like a duck,
it's probably not a well-prepared audit proposal.*

After the due date specified in the RFP has passed, it is time to begin to evaluate the audit proposals received. The most critical element for a successful evaluation process is the expertise of the evaluators.

The evaluators, which can be the audit committee, must have the background to make meaningful comparisons of the proposals. The same technical qualifications emphasized for the audit committee (see 2nd ¶ of the INTRODUCTION) again apply to the evaluation committee, namely, experience in auditing and/or accounting, or closely related fiscal functions.

If qualified evaluators are not available through the sources discussed above, contracting with a qualified professional, such as a CPA that did not submit a proposal, should be given consideration.

The National Intergovernmental Audit Forum provides more sound advice for evaluating proposals by the following:

Technical Criteria

The technical criteria set out in the RFP and used in the evaluation process can vary. At a minimum, however, the evaluation committee should be able to answer "yes" to the following questions:

Understanding the Audit Requirements

- Does the proposal, both in the statement of the audit requirements and elsewhere, demonstrate that the firm has an understanding of the audit's objective(s), your organization's needs, and the final products to be delivered?

Soundness of Technical Approach

- Does the proposal contain a sound technical plan and a realistic estimate of time required to complete the audit?
- Does the proposal show the bidder's intention to start the audit when required and complete the audit in a timely fashion?
- Does the technical plan show a practical approach to meeting benchmarks and specific deadlines?
- Does the proposal indicate that the firm will use (1) a systematic approach to examining systems and internal controls and (2) effective procedures, including consideration of risk and materiality, to determine the extent of audit testing and review necessary?
- Does the proposal indicate the bidder's willingness to use other auditors' work, to the extent possible, to avoid duplication of effort?

Qualifications of the Audit Firm

- Does the firm have experience in performing the required work for entities of your type and size?
- Do prior clients have a positive opinion of the firm? ⁵

⁵ Ibid., pp. 15-16.

Opinions of prior clients are very important. The CPAs submitting the proposals should provide names of clients they have audited in prior years, particularly those receiving subsidies through CDE administered programs. Take the time to call these agencies for references and ask a critical question.

Did any of the agencies receive letters from OEA stating that their "... report is unacceptable by our office (OEA) because it does not materially meet the reporting and compliance requirements..."?

A copy of an "Example of a Final Evaluation Worksheet" is attached (Attachment II)

WRITING THE AGREEMENT

Old Chinese Proverb: The faintest ink is better than the best memory.

A written agreement (contract) between the agency and the audit firm should be signed by both parties before starting fieldwork. This is especially important with a new firm. The RFP and the auditors' proposal should be included in the contract by reference. Also, as with all legal relationships, the advice of an attorney is always a good idea.

The National Intergovernmental Audit Forum also recommends the following:

The written agreement will then clearly specify the

- audit scope, objective, and purpose;
- deadlines for work to be performed;
- audit cost;
- report format;
- type and timing of support to be provided to the auditor by the entity; and
- professional auditing standards to be followed in performing the audit (see "Specifying Auditing Standards above")

Furthermore, the agreement should make the following points about the auditor/entity relationship, changes in the kind or amount of work required, and access to and ownership of audit products.

- The relationship of the auditing firm to the entity is that of an independent contractor.
- At any time, the entity may, by written notice, make changes in or additions to work or services within the general scope of the agreement. If such changes are made, an equitable adjustment will be made in the cost of the audit using the rates specified in the agreement.
- If the contractor believes that a change in or addition to work is beyond the general scope of the agreement, it must notify the entity in writing within a specified time and before beginning that work. The agreement should indicate where the final administrative authority rests in deciding disputes.
- The workpapers prepared by the contracting auditor during the audit are its own property. These documents should be retained for a period to be designated in this agreement and made available to the entity and governmental auditors upon request.⁶
- All reports rendered to the entity by the contracting auditor are the exclusive property of the entity and subject to its use and control, according to applicable laws and regulations.⁷

MONITORING THE AUDIT

The Two Biggest Lies in Auditing:

1. Auditor states: "I'm here to help."
2. Agency Director responds: "I'm glad to see you."

Clear communications between the auditors and the agency is vital to achieving the objective of a quality audit. It is even more critical if the auditing firm is "new" to the agency.

The auditors will be working closely with the agency's fiscal staff on a day-to-day basis. However, the primary responsibility to present the agency's perspective on audit issues should be its well-qualified audit committee.

⁶ Title 5 (5 CCR § 18067) reads "General Recordkeeping Requirements. (a) All records shall be retained for a minimum period of five (5) years.

⁷ *How to Avoid a Substandard Audit: Suggestions for Procuring an Audit*, pp. 19-21.

Periodic meetings between the auditors and the audit committee are essential. At every meeting, the agenda should include the following:

- A progress report by the auditors on completing the audit by its due date; and
- Discussion of "audit findings."

An "audit finding" can be defined, in very general terms, as an undesirable condition that, in the auditor's opinion, is significant enough to require disclosure in their audit report or in a separate letter to the agency's management. OEA's review procedures include analyzing all audit findings for their appropriate follow-up.

Most findings are resolved by Corrective Action Plans being submitted to OEA and being implemented by the agency. However, some findings are, by their nature, so serious as to jeopardize continued CDE funding.

Examples of findings that could be considered "fiscal and/or programmatic noncompliance" (5 CCR § 18001), and therefore grounds for terminating or discontinuing funding include the following:

Serious financial difficulties:

- Working capital deficits;
- Agency "borrowing" Child Development funding sources for uses other than providing services to the subsidized children;
- Using current year funding to pay prior year expenditures; and
- The auditors include a "going concern qualification" in their opinion.

Indications of mismanagement:

- Material noncompliance with contract terms;
- Material weaknesses in internal controls.

If any of the above conditions come to the auditors' attention, they must provide a thorough explanation of the condition and recommendation to correct it.

EXIT CONFERENCE

At the entrance conference, auditors tell you that they're going to tell you.

During the fieldwork, auditors tell you.

At the exit conference, auditors tell you that they've told you.

Proper monitoring during the fieldwork process should eliminate any surprises at the exit conference.

Different auditors have different styles for exit conferences. One method is to discuss the audit findings and other issues to be included in their report at the end of fieldwork, and return at a later date with a "draft" copy of their report for further discussion.

Another method, especially when there are not findings, is to hold the exit conference at the end of fieldwork, and to mail a draft copy of the report for the agency's review before the audit report is signed.

Hopefully, the exit conference will end with the auditor and agency staff discussing how much they are looking forward to working together again next year.

SELECTED BIBLIOGRAPHY

STATE SOURCES

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Sections 18000 through 18308 of *Title 5 of the California Code of Regulations*. December 1988.

California Department of Education, Contracts Office. *Funding Terms and Conditions and Program Requirements for Child Development Programs. Fiscal Year 1997-98*.

California Department of Education, Office of External Audits. *Audit Guide for Audits of Child Development and Nutrition Programs*. Sacramento. Revised 1996.

Szczepanik, Stanley J. *Child Development Audit Reports – Review Procedures*. Presented at the California Department of Education's CPA Conference, Concord and Anaheim, California. May 1998.

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Comptroller General of the United States, *Government Auditing Standards, 1994 Revision*. Washington, D.C.: United States General Accounting Office, 1994.

Office of Management and Budget. *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. June 1997.

OTHER SOURCES

National Intergovernmental Audit Forum, Procurement Handbook Task Force. *How to Avoid a Substandard Audit: Suggestions for Procuring and Audit*. May 1988.

Western Intergovernmental Audit Forum. *Guidelines for Preparation of Requests for Audit Proposals*. March 1986.



Community Child Care Coordinating Council of Alameda County

December 1, 1997

Dear Consultant:

The Community Child Care Coordinating Council of Alameda County (4C's) is requesting that your firm submit a proposal to audit its financial statements for the fiscal year ending June 30, 1998, with the option of auditing its financial statements for each of the four subsequent fiscal years.

Proposals will be received until 5:00 P.M. on Friday, January 30, 1998 at the 4C's Administration Office, located at 22351 City Center Drive, Suite 200, Hayward, California 94541. Proposals sent via any parcel service or U.S. mail should also be mailed to the above address. FAX responses will **NOT** be accepted.

PROPOSAL INSTRUCTIONS

Before preparing a proposal, carefully examine the Request for Proposal (RFP) and become fully informed as to all existing conditions.

Submission of a proposal shall be considered evidence that the firm has fully studied the RFP, examined the site of the work, and that your firm is satisfied as to the conditions to be encountered in performing the work and the requirements of the RFP.

Proposals shall be properly executed by an authorized representative of the firm.

SUBMISSION OF THE PROPOSAL

The proposal must be submitted at the place and by the time prescribed above. It is your firm's responsibility to see that the proposal is received in proper time. Proposals received after that time will not be considered.

Four copies of the proposal shall be submitted and addressed to the attention of :

Julie Mars
Finance Director

at the address previously noted herein.



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PROPOSAL FORMAT

To facilitate the review of the proposals by 4C's, the proposal shall conform to the format outlined below. Failure to submit the proposal in this format may be cause for rejection.

Section 1 Transmittal letter

Section 2 Sealed dollar cost bid (Attachment "A")
The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

Section 3 Technical proposal as follows:

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL SECTION!

A. Firm Background and Experience.

B. Engagement Staff Qualifications: Furnish the names, positions, education, and experience of each member of the proposed Engagement Staff. Indicate whether each such person is licensed to practice as a Certified Public Accountant in California.

C. Related Experience: List the most significant engagements performed in the last five years that indicate the firm has the expertise to conduct the audit.

D. Other Information: The firm is required to submit a copy of the report on its most recent external quality control review. The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three years.

E. The firm should provide an affirmative statement that it is independent of Community Child Care Coordinating Council of Alameda County as defined by generally accepted auditing standards.

F. Method of Approach: At a minimum, discuss the following items in sufficient detail to indicate a clear understanding of each item. If applicable, also discuss how each item will be controlled and/or managed.

Scope of Work

Statistical Sampling

Analytical Procedures

Internal Control Structure

Anticipated Potential Audit Problems

CRITERIA FOR SELECTION

1. Professional experience of the firm.
2. Principals and staff to be assigned to the audit.
3. Experience and training of key personnel.
4. Demonstrated ability to prepare accurate work products.
5. Nature and quality of engagements recently completed.
6. Reliability, continuity, and location of the firm.
7. Knowledge of applicable codes and regulations.
8. Assurance of timely completion of work.
9. Other considerations deemed relevant.
10. Statement of Insurance carried by the firm.
(Errors and Omissions, Liability, and Workers Compensation)

EVALUATION OF PROPOSALS AND SELECTION PROCEDURE

A committee will be established to select the new auditing firm. The committee will consist of the Executive Director, the Finance Director, the Program Director, and at least one member of the Board of Directors.

The selection procedure will consist of an evaluation of the written proposals as based on the firm's ability to satisfy the criteria as a whole.

Cost will not be the primary factor in the selection of the audit firm.

After review of the proposals, the top three firms will be selected to participate in interviews which will be held by Friday, March 27, 1998.

The Audit Committee will select the top firm from these proposals. Upon selection, 4C's will notify the selected firm by Friday, April 24, 1998, pending approval of 4C's Board of Directors. Negotiations for the contract shall commence immediately. 4C's staff anticipates entering into agreement for this engagement by Friday, May 8, 1998. The RFP, the firm's proposal, and any addenda to the RFP, will be made part of 4C's agreement with the auditing firm.

SIGNATORY REQUIREMENTS

The proposal shall be signed by an authorized representative of the firm. The firm shall furnish documentation that the person signing the proposal is empowered with signatory authority for the firm.

SCOPE OF WORK

4C's desires the auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with generally accepted accounting principles.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

A. Auditing Standards to be Followed

To meet the requirements of this request for proposal, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards (1994 Revision), and the Audit Guide for Auditors of Child Development and Nutrition Programs, issued by the California Department of Education. 4C's receives more than \$300,000 in Federal funds therefore, the audit must also be performed in accordance with OMB A-133.

B. Reports to be Issued

Following the completion of the audit of the fiscal year's financial transaction, the auditor shall issue the following:

Financial Reports

1. Report on financial statements
2. Statement of revenues and expenses and changes in fund equity
3. Statement of cash flows

4. Notes to the financial statements

5. Supplementary information

/

Management Letter on Internal Accounting Control

The auditor shall communicate any reportable conditions found during the audit. A reportable condition is defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect 4C's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

C. Irregularities and Illegal Acts

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties:

Executive Director
Board President
Board Vice-President

per SAS No. 53, The Auditor's Responsibility to Detect and Report Errors and Irregularities, and SAS No. 54, Illegal Acts by Clients.

D. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three years, unless the firm is notified in writing by 4C's of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to 4C's or its designees.

E. Additional Information

4C's was formed in December 1972 as a private, non-profit offering a variety of child care services.

4C's has a full-service child care center in Oakland and the Administrative Office in Hayward. There are 65 regular employees.

Fund Structure

4C's accounting system utilizes a fund accounting structure for management purposes. The accrual basis of accounting is followed for all funds and accounts.

Availability of Prior Audit Reports

Interested proposers who wish to review prior years' audit reports and management letters should contact Julie Mars at 510-582-2182 x24. 4C's will use its best efforts to make prior audit reports available to proposers to aid their response to this request for proposal.

F. Assistance to be Provided to the Auditor

Accounting Department

The accounting department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation, and explanations. The preparation of confirmations will be the responsibility of 4C's.

Accounting staff will prepare reasonably required statements and schedules for the auditor. Sample formats of each work paper must be submitted.

Work Area

4C's will provide the auditing team with reasonable work space and chairs. The auditor will also be provided with the use of 4C's photocopying facilities.

Report Preparation

Report preparation, editing, and printing shall be the responsibility of the auditor.

G. Completion of Audit

Draft Reports

The auditor shall have drafts of the audit report(s) and recommendations to management available for review by the Executive Director and the Finance Director by October 15, 1998.

Final Reports

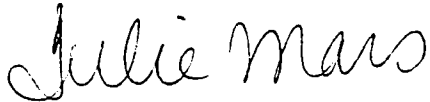
The final report will be due to 4C's no later than November 15, 1998. Also, by this date, two copies of the audit must be *received* by the Department of Education at the following address:

California Department of Education
Office of External Audits
560 J Street, Room 270
Sacramento, CA 95814

Each proposal must be in accordance with the provisions of the Request for Proposal described herein. If you have any questions, please contact Julie Mars at 510-582-2182 x24.

Sincerely,

Tenna Land-Moore
Executive Director

A handwritten signature in cursive script that reads "Julie Mars". The signature is written in dark ink and is positioned below the typed name of the Executive Director.

by: Julie Mars
Finance Director

Example of a Final Evaluation Worksheet

The following is a sample formula for assigning final scores to proposals. After final scores have been assigned, proposals can be ranked.

A key element of the formula is the weight that price versus technical score will have on the final overall evaluation. In GAO's opinion, the technical score should carry much more weight, since technical expertise is what is being purchased.

The final score for each proposal should be determined by adding the weighted technical score to the weighted price score.

Technical score	X	Weight given to technical score	=	Weighted technical score
Price score	X	Weight given to price score	=	Weighted price score
Total Points (Final Score)				

Example of a Technical Evaluation Form

EVALUATOR _____

FIRM _____

LEAD OFFICE _____

I. <u>Capability of Contractor</u>	Possible number of <u>points</u>	<u>Awarded</u>
The contractor has the resources to perform the audits as evidenced by:		
A) Size—Offices #____ Personnel #____ (Over 10 offices — 5 points) (3 to 10 offices — 3 points) (under 3 offices — 0 point)	0-5	_____
B) Washington, D.C., office	0-1	_____
C) Computer expertise		
Personal computers for field auditors	0-1	_____
Mainframe computer audit specialists	0-2	_____
Comprehensive computer audit programs	0-2	_____
D) Statistical sampling expertise and experience	0-2	_____
E) Quality control program		
Peer review results (obtain most recent copy) Referrals of substandard work within past 4 years. (Deduct 1 point for each referral to maximum of 5.)	0-1	_____

EXAMPLE OF A TECHNICAL EVALUATION FORM

	Possible number of <u>points</u>	<u>Awarded</u>
--	--	----------------

F) Proposal presentation

— Organization and completeness in
following contract specifications

0-3

— Plan to use minority contractor(s)

0-3

Total points for section I

0-20

II. Work Requirements and Technical Approach

The contractor understands the scope of
work to be done and demonstrates sound
technical approach.

A) Demonstrated knowledge of work
objectives, agency needs, milestones,
and deliverables.

0-10

B) Technical plan and time estimates

0-10

(circle)

— Established audit methodology

Y N

— Use of government auditing
standards

Y N

— Planning

Y N

— Entrance/exit conference

Y N

— Internal controls

Y N

— Compliance work

Y N

— Substantive testing

Y N

— Risk assessment

Y N

— Statistical sampling

Y N

— Quality control

Y N

— Report deliverables

Y N

— Computer use

Y N

— Handling of audit/job problems

Y N

— Realistic time estimates and

Y N

commitment to complete the work

Y N

Total points for section II

0-20

EXAMPLE OF A TECHNICAL EVALUATION FORM

	Possible number of <u>points</u>	<u>Awarded</u>
 III. <u>Technical Experience of Contractor</u>		
Contractor has the experience to perform as evidenced by past audits, industry specialization, and knowledge of federal financial management problems gained through audits of federal agencies, corporations, grants, and loans.		
 A) Audits of:		
— Federal agencies and corporations	0-5	_____
— Federal grants	0-2	_____
— State and local government	0-1	_____
— Large private sector clients	0-4	_____
 B) Organized industry specialist groups in applicable areas		
(circle)	0-3	_____
— Insurance	Y N	
— Financial institutions	Y N	
— Government	Y N	
— Other _____	Y N	
 C) Experience in performing financial analysis		
	0-2	_____
 D) Experience in comprehensive examination of internal control and reporting (SAS 30)		
	<u>0-3</u>	_____
 Total points for section III		
	0-20	_____

EXAMPLE OF A TECHNICAL EVALUATION FORM

Possible
number of
points

Awarded

IV. Qualifications of Audit Team

Resumes indicate appropriate qualifications at industry specialist, partner, manager, senior and junior levels:

A) Years with firm/other relevant experience

0-20

	Name(s)	Average years
— Industry specialist	_____	_____
— Partner	_____	_____
— Manager	_____	_____
— Senior	_____	_____

B) Industry audit experience

0-15

	<u>Average years</u>		
	Partner	Manager	Senior
— Federal agencies and corporations	_____	_____	_____
— Federal grants	_____	_____	_____
— State and local government	_____	_____	_____
— Large private sector clients	_____	_____	_____

C) Education/training

0-3

- Accounting degrees
- Advanced degrees/JD
- Special training

EXAMPLE OF A TECHNICAL EVALUATION FORM

	Possible number of <u>points</u>	<u>Awarded</u>
D) Professional accomplishments	0-2	_____
— Professional organizations		
— Books, articles		
— Speeches		
— Awards	_____	_____
Total points for section IV	0-40	_____
TOTAL POINTS FOR SECTIONS I THROUGH IV	<u>0-100</u>	<u> </u>

V. Firm Strengths and Weaknesses (Summarize Briefly)

VI. Questions/Comments